



**Department of General Services  
Procurement Division**

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**TO: Purchasing Authority Contacts (PACs)  
Procurement and Contracting Officers (PCOs)  
Small Business and DVBE Advocates  
Certified Small Businesses (SB)  
Certified Disabled Veteran Business Enterprises (DVBEs)  
DVBE Advisory Council Members  
Small Business Advisory Council Members**

**RE: Fiscal Year (FY) 2017-18 LATE PAYMENT PENALTY RATES**

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The FY 2017-18 late payment penalty rates were published by the Department of Finance in Budget Letter #17-14 dated July 17, 2017, and are applicable to invoices incurred on or after July 1, 2017.

This broadcast bulletin advises of the updated FY 2017-18 late payment penalty rates. These rates can be found in the "Summary of Frequently Asked Questions" accessible by clicking on Prompt Payment Act at the following [link](#).

- <https://www.dgs.ca.gov/PD/Resources/Page-Content/Procurement-Division-Resources-List-Folder/Late-Payment-Penalty-Paid-Reports>

The California Prompt Payment Act (Act), Government Code (GC) section 927 et seq., requires state departments to automatically calculate and pay the appropriate late payment penalties if they fail to pay properly submitted, undisputed invoices or grants for victim services or prevention programs, and refunds or other undisputed payments due to individuals on or before the date required by the Act. The Act also applies to invoices for goods and/or services acquired by state departments and specific grant claims. The Act requires different rates for penalty payments paid as follows:

- A. Small businesses, nonprofit organizations, nonprofit public benefit corporations, including grantees that provide victim services and prevention programs as defined in GC section 927.2.
- B. Other businesses, including local government grantees that provide victim services or prevention programs as defined in GC section 927.2.
- C. Refunds or other payments due to individuals

To calculate late payment penalties, multiply the amount subject to penalties by the applicable daily penalty rate, as shown in the “Summary of Frequently Asked Questions”, to determine the penalty amount per day. The penalty amount per day is then multiplied by the number of calendar days the payment is late to determine the total penalty amount.

For any questions regarding late payment penalty rates and reports, please contact:

DGS' Office of Small Business and DVBE Services  
Reports Coordinator at  
(916) 375-4937

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